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SUBJECT: TEMASEK MULLING OPENING FUND TO CO-INVESTORS

REF: A) SINGAPORE 131; B) SINGAPORE 477

¶1. (U) Ho Ching, CEO of Singapore sovereign wealth fund Temasek Holdings, disclosed in a July 29 speech that the fund was considering opening up to co-investors from the general public. Ho said a pilot program would organize relevant structures and devise rules of engagement on how to proceed with co-investment by "sophisticated investors". (Note: The Monetary Authority of Singapore defines sophisticated investors as those with assets of at least S\$2 million or an annual income of at least S\$300,000.) Madam Ho said Temasek would test the pilot over a market cycle of five to eight years, then consider opening up to retail investors in eight or ten years. Ho said the plan would broaden Temasek's group of stakeholders, improving market discipline and performance in future decades.

¶2. (SBU) Song Seng Wun, regional economist for CIMB, told Econoff that the plan was a clever move on Temasek's part, giving the fund at least the appearance of being more inclusive to the general public, but he did not expect much added transparency. Song said he thought Temasek and institutional investors would be testing the waters over the next year to see what each could offer the other as co-investors. Institutional investors would likely see no downside to investing alongside Temasek, but would require greater transparency and request Temasek to open its books to scrutiny, something the secretive fund has declined to do in the past. He expected that Temasek would need to establish a separate investment vehicle for outside investors that would focus on new investments and in specific investment sectors. Although Temasek was not short of investment funds, Song thought Temasek may want to take advantage of a nascent market recovery to use outside funds to leverage larger investments.

Trouble at Temasek

¶3. (U) Ho also touched on the recent reversal of her decision to step down as CEO in October and the cancellation of the appointment of her designated replacement, Chip Goodyear (ref A). Ho said only that the decision was "unfortunate" but that Goodyear's departure was amicable. She said the succession review would continue and Temasek would consider internal and external candidates to replace her as CEO, but did not give a time frame for any decision. The Straits Times newspaper floated a list of potential candidates within Temasek, all except one of whom is Singaporean. The Times speculated Temasek may find it difficult to recruit externally after the still unclear reasons behind Goodyear's dismissal.

¶4. (U) Ho also revealed that Temasek had lost over S\$40 billion (US\$28 billion) in the year ending in March. In February Temasek had reported losses of approximately S\$58 billion (US\$40 billion) in the eight months from March to November. The fund's sharp losses sparked speculation that Ho's announced departure was a result of ill-timed investments during her tenure. Although markets have

recovered somewhat since the initial loss statement, Minister of Finance Tharman said in May that the end of year losses were similar to those reported earlier. Temasek unloaded stakes in Bank of America and Barclays at a substantial loss during the first quarter (ref B). Temasek staff will receive a "negative bonus" this year as a result. Temasek maintains a "bonus bank" for staff that can be partially drawn down when the fund hits above-target returns, the rest of the bonus is deferred. In down years like 2008, the bonus pool shrinks.

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